



# ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson  
Director

## SUMMARY OF A MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM EXTERNAL AFFAIRS COMMITTEE

HELD ON  
October 1, 2010  
10:00 a.m., Arizona Time

The External Affairs Committee (EAC) of the Arizona State Retirement System (ASRS) met in regular session in the 10th Floor Board Room of the ASRS Office, 3300 North Central Avenue, Phoenix, AZ, 85012. Mr. Michael Townsend, Chair, called the meeting to order at 10:00 a.m., Arizona Time.

This meeting was teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona, 85710.

### 1. **Call to Order; Roll Call; Opening Remarks**

Present: Mr. Michael Townsend, Chair  
Mr. Kevin McCarthy, Vice-Chair  
Mr. Tom Manos  
Mr. Steven Zeman (Ad-hoc member)

Excused: Mr. David Byers

A quorum was present for the purpose of conducting business.

### 2. **Approval of Minutes of the November 13, 2009, February 3, 2010, March 5, 2010, and April 9, 2010, EAC Meetings**

*Motion:* Mr. Steven Zeman moved the External Affairs Committee approve the minutes of the November 12, 2009, February 3, 2010, March 5, 2010, and April 9, 2010, EAC meetings.

Mr. Kevin McCarthy seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions and 1 excused the motion was approved.

### 3. **Presentation, Discussion, and Appropriate Action Regarding the 2011 Legislative Initiatives**

Mr. Patrick M. Klein, Assistant Director, External Affairs Division, gave a brief overview of how the ASRS' legislative initiatives were developed and reviewed. He then introduced Ms. Lesli Sorensen, Government Relations Officer, who presented and discussed the proposed legislation for the 2011 Legislative Session.

Ms. Sorensen presented the following potential items:

**Legislative Appropriations Process Exemption:** Exempt the ASRS from the legislative appropriations process and instead require Board approval of annual budgets. (The ASRS would support this initiative if it was proposed by an entity other than the ASRS.)

**Defined Benefit Plan Federal Conforming Changes:** Conform statutes to federal requirements for continued Plan qualification status.

**Member Outreach:** Clarify that the statutory requirement that the ASRS be present in each county at least once per year for member outreach is fulfilled via electronic means.

**Administrative Procedures Act (Rulemaking) Exemption:** Exempt the ASRS from the requirements in the Administrative Procedures Act and, instead, institute a Board process for Rulemaking.

**Survivor Benefits:** Clarify that a natural or adopted child of any age who is disabled qualifies under the statute, define “disabled” as being “incapable of self-sustaining employment by reason of mental or physical handicap and [being] chiefly dependent on the member for support,” and remove references to “stepchildren” and instead use the term “adopted.”

**Lump Sum Retirement Threshold:** Increase the Lump Sum retirement threshold from \$20 to an “amount determined by the Board.”

**Spousal Consent:** Maintain status quo with enhanced verification of spousal notification requirements and notices to member regarding the applicability of community property laws to ASRS benefits.

**Arizona Cotton Council:** Correct statutory language to reflect that Arizona Cotton Council employees must participate in the ASRS.

**Employer Collections:** Allow the ASRS to intercept monies due to an employer from any department or agency of this state for any amounts due to the ASRS.

**Long Term Disability:** Require claims be submitted within 24 months of the date of disability and permit the ASRS to suspend benefits or terminate claims when a member refuses to provide requested information.

**Terminating Alternate Payee Splits:** Terminate an alternate payee’s benefit under a Qualified Domestic Relations Order (new or amended and filed with the ASRS on or after January 1, 2012) if the alternate payee predeceases the member.

**Alternate Contribution Rate:** Require employers to pay an Alternate Contribution Rate (ACR) for retired members who perform services that would otherwise be performed by an employee of the employer. The date of implementation would be determined by the ASRS Board. The ACR would be charged starting the 366<sup>th</sup> day after retirement for a member who reached normal retirement and for a member who is an early retiree working less than 20 weeks at 20 hours per week.

Ms. Sandee McClelland, representing Smart Schools Plus, addressed the Committee regarding her company’s support of the Alternate Contribution Rate proposal if a 2015 implementation

date is selected.

**Return To Work Violations:** Clarify that if a member is found to have violated the Return To Work statute, the ASRS has some flexibility to determine the appropriate penalty with respect to pension suspensions and repayments, and specifically authorizes the ASRS to collect pension overpayments and to provide a charge to employers for a member's violation.

Mr. Manos departed the meeting at 11:36 a.m.

**Military Call-Up:** Revise military call-up statutes to conform to the federal Uniformed Services Employment and Reemployment Rights Act.

**Leave of Absence:** Clarify statute to have conformity among all service purchase statutes and ensure members are not receiving dual benefits for the same time period (which could have occurred during a Leave of Absence from one ASRS employer while working for another employer).

**Service Purchase Compensation Calculation:** Clarify statute to address a scenario where a member could transfer from another retirement system and initiate a service purchase without having at least five pay periods on record with the ASRS.

**Supplemental Retirement Savings Plan Federal Conforming Changes:** Conform statutes to federal requirements for continued Plan qualification status.

**City of Phoenix and City of Tucson Transfers:** Conform City of Phoenix and City of Tucson transfers to A.R.S. § 38-922 transfer methodology (i.e. same as PSPRS and CORP transfers).

*Motion:* Mr. Zeman moved the External Affairs Committee recommend the ASRS Board approve the 2011 legislative initiatives presented by staff and support all initiatives;

*and*

Recommend that the Board permit staff to make all language changes and negotiate as necessary to obtain the most effective and efficient legislative provisions within the construct of today's discussion.

Mr. McCarthy seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions and 2 excused the motion was approved.

Ms. Sorensen presented information regarding a non-ASRS initiated proposal to work with the Arizona Department of Corrections and the Corrections Officers Retirement Plan to convert temporary waiver language to permanent law.

Mr. Charles Flanagan, Deputy Director, Arizona Department of Corrections (ADC), addressed the Committee to thank the ASRS for recognizing ADC's need for a waiver system and encouraged support of the legislation.

*Motion:* Mr. Zeman moved the External Affairs Committee recommend the ASRS Board support converting the temporary CORP waiver language into permanent law.

Mr. McCarthy seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions and 2 excused the motion was approved.

Ms. Sorensen presented information regarding other potential non-ASRS initiated proposals including: fire personnel eligibility, the Rep. Heinz retiree health insurance initiative, Defined Contribution plans, contribution rate holidays, liability valuation methodologies, and employer withdrawal from the ASRS.

#### 4. Call to the Public

There were no additional requests to speak.

## 5. Adjournment of the ASRS External Affairs Committee

Mr. Townsend adjourned the October 1, 2010 External Affairs Committee meeting at 12:13 p.m.

Respectfully Submitted by,

Zachary Kucera  
Committee Secretary

Date

Patrick M. Klein Date  
Assistant Director, External Affairs